

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DEC 23 1981

Dear Sir or Madam:

Your application for exemption from Federal income tax as an organization described in Section 501(c)(4) of the Internal Revenue Code has been given consideration.

The information submitted discloses that you were incorporated under the nonprofit laws of the State of [REDACTED] on [REDACTED]. The third article of your Articles of Incorporation provides that the purposes for which you were formed are, in part, "To set up an artists' managed market for works of art, to assist member artists and craftsmen in reducing the costs of their production and marketing, to provide for the display and sales of the products of member artists and craftsmen..."

Your activities consist of operating an Art Gallery. You have [REDACTED] participating members, each signing a contract to pay \$[REDACTED] and to work one to one and a half days per month as gallery rent for displaying their works. This enables the members to pursue their crafts and offer them for sale without a large investment. All sales money is given to the member whose work was sold. Activities during [REDACTED] other than gallery operations consisted of a Grand Opening and a "Featured Artists' reception". The "Featured Artists' reception" will be conducted quarterly.

Section 1.501(c)(4)-1(a)(2) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization, carrying on a business in a manner similar to organizations which are operated for profit, does not qualify as an organization operating exclusively for the promotion of social welfare.

Erie Endowment v. U.S., 316 F.2d, 151, (1963) holds the concept of social welfare suggests benefits which affect a whole community rather than a private group of citizens.

[REDACTED]

12/6/81

[REDACTED]

12/17/81

[REDACTED]

12/22/81

[REDACTED]

12/22/81

[REDACTED]

Commissioner v. Lake Forrest, Inc., 305 F 2d, 814, (1962) held that a corporation formed to acquire and operate a low cost housing co-op was not a civic league or social welfare organization because it did not offer a program or service to benefit the community at large.

Ravenue Ruling 73-349, 1973-2 C.B., 179, held that a co-op formed for the purpose of purchasing groceries for members at lower costs was not exempt under Section 501(c)(4) because they were primarily operated for the private benefit of its members and any benefits to the community were incidental.

Based upon information submitted in the Form 1024 and your letter of [REDACTED], it appears that you are operating an art gallery for the private benefit of your members.

Therefore, we have concluded that you do not qualify as an organization described in Section 501(c)(4) of the Code.

You are required to file Federal income tax returns annually on Form 1120.

If you do not agree with these conclusions, you may, within 30 days from the date of this proposed adverse determination letter, appeal to the Regional Office through this Key District Office. Your appeal should contain the information described under Regional Office Appeal in the enclosed Publication 892, and should be mailed to this office. The Regional Office will let you know what action they take, and will set a date and place for any conference to be held. If a written protest is not received within the above time period this determination letter will be final.

This is a determination letter.

Sincerely yours,

Signed [REDACTED]

[REDACTED]  
District Director

Enclosure